

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 L-03 FEAE-00 ERDA-05

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DRAFTED BY EB/ORF/FSE:D WILSON:MW

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L/EB:GROSEN(SUBSTANCE)

EUR/RHE:ADSENS(DRAFT)

EB/ORF/FSE:QRRMARTIN(DRAFT)

FEA:DOLIVER(DRAFT)

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R 260112Z NOV 75

FM SECSTATE WASHDC

TO USMISSION OECD PARIS

INFO AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY BERN

AMEMBASSY STOCKHOLM

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

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AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: ENRG, OECD

SUBJECT: IEA: STANDING GROUP ON THE OIL MARKET (SOM)  
MEETING NOVEMBER 18, 1975

1. SUMMARY: SOM HELD 1 DAY MEETING NOVEMBER 18 TO DISCUSS PENDING ELEMENTS OF CRUDE OIL COST REPORTING SYSTEM TO BE RESOLVED BEFORE SYSTEM CAN BE IMPLEMENTED, THE MOST IMPORTANT OF WHICH IS A PROCEDURE TO ENSURE THE CONFIDENTIALITY OF DATA SUBMITTED BY REPORTING COUNTRIES. US SUBMITTED PROPOSAL FOR A "BLACK BOX" COMPUTER SYSTEM (IEA/SOM(75)52) WHICH WOULD ENSURE THE ANONYMITY OF INDIVIDUAL COMPANY DATA AND WAS ASKED TO CHAIR A TECHNICAL WORKING GROUP TO FURTHER ELABORATE ITS PROPOSAL. FRG REQUESTED THAT CRUDE OIL COST REPORTING PROCEDURES BE

MODIFIED TO INCLUDE 10TH AND 90TH PERCENTILE FIGURES FOR "OWN PRODUCTION" AND "CONCESSIONARY PURCHASES" (IEA/SOM(75)49). US OPPOSED PRIMARILY ON GROUNDS OF POTENTIAL COMPROMISE OF CONFIDENTIALITY OF COMPANY DATA, BUT AGREED TO REVIEW THE MATTER AFTER SYSTEM IN OPERATION. UK PROPOSED A REARRANGEMENT OF DATA ON CRUDE COST REPORTING FORMS. CHAIRMAN HOPPER SUGGESTED THAT COLLECTION OF DATA BEGIN ON PRESENT FORMS, WITH POSSIBLE MODIFICATION OF OF FORMAT SUBSEQUENTLY IF DEEMED ADVISABLE. INCONCLUSIVE DISCUSSION HELD REGARDING EXTENT OF ANALYSIS SOM FELT SECRETARIAT SHOULD UNDERTAKE FOR CRUDE OIL PRICE DATA

(IEA/SOM(75)38). UK, CANADA FELT THAT EXTENSIVE ANALYSIS NOT NECESSARY, WHEREAS BELGIUM, ITALY, JAPAN AND DENMARK THOUGHT IT USEFUL. CHAIRMAN HOPPER SUGGESTED THAT SECRETARIAT PREPARE A FIRST REPORT ONCE ADDITIONAL US AND UK DATA RECEIVED, AND THAT SOM AT THAT POINT CONSIDER WHETHER FURTHER ANALYSIS ADVISABLE. COUNTRY COMMENTS ON SECRETARIAT REPORT REQUESTED. BRIEF DISCUSSION ON LIMITED OFFICIAL USE  
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PRICE REPORTING IN AN EMERGENCY (IEA/SOM(75)32) AND REPORTED DESIRE ON SEQ CHAIRMAN VAN RIJN TO COMPEL COMPANIES TO JUSTIFY PRICE INCREASES CONCLUDED WITH AGREEMENT THAT SOM SHOULD REQUEST AN SEQ POSITION ON THE SUBJECT.

2. SOM WORKING GROUP ON CAPITAL INVESTMENT AND FINANCIAL STRUCTURE CHAIRED BY SWEDEN HELD ITS FIRST MEETING NOVEMBER 17. US, UK, NETHERLANDS, FRG AND ITALY WERE PRESENT. GENERAL DISCUSSION FOCUSED ON THE OBJECTIVES OF THE PROPOSED FINANCIAL INFORMATION SYSTEM AND THE ELEMENTS DEEMED NECESSARY FOR ITS IMPLEMENTATION. US

MADE PRESENTATION ON FEA FINANCIAL REPORTING SYSTEM NOW BEING ESTABLISHED. CONSENSUS WAS REACHED ON NEED TO SOLICIT VIEWS OF IWP ON THE SUBJECT AND CONSULTATION WITH IWP TENTATIVELY SCHEDULED FOR JANUARY 12,1975. NEXT MEETING OF SOM SCHEDULED FOR JANUARY 13-14, 1975. END SUMMARY.

3. BLACK BOX SYSTEM: US SUBMITTED A PAPER (IA/SOM-(75)32) AND DISCUSSED A COMPUTER/PUNCH CARD SYSTEM TO PROTECT THE ANNONYMITY OF COMPANY CRUDE COST DATA. PUNCH CARDS WOULD BE INSERTED BY MEMBER COUNTRY NATIONALS AND COMPUTER WOULD BE PROGRAMMED TO AGGREGATE CRUDE STREAMS, SUPPRESSING DATA FOR WHICH INDIVIDUAL COMPANY INFORMATION COULD BE DETECTED. UK AND SEVERAL OTHER DELEGATIONS THOUGH SYSTEM WAS INGENIOUS, BUT WONDERED WHETHER IT MIGHT BE SIMPLIFIED SOMEWHAT - E.G., TRANSMISSION OF DATA BY TELEX. IEA SECRETARIAT SAW US PROPOSED SYSTEM AS OVERLY CUMBERSOME. CHAIRMAN HOPPER OPINED THAT IF THE CONFIDENTIALITY PROBLEM NECESSITATED SUCH A SYSTEM, HE WOULD RECOMMEND ITS ADOPTION. HE ASKEN US TO CHAIR A TECHNICAL WORKING GROUP TO FURTHER ELABORATE THE PROPOSAL. SECRETARIAT, UK, FRG AND ITALY AGREED TO PARTICIPATE.

4. FRG PROPOSAL FOR ADDITIONAL 10TH AND 90TH PERCENTILE FIGURES FOR CRUDE COST REPORTING (IA/S M(75)49): GERMANS AGAIN SUGGESTED THAT CRUDE COST REPORTING SYSTEM BE MODIFIED TO BREAK OUT 10TH AND 90TH PERCENTILE FIGURES UNDER THE HEADINGS "OWN PRODUCTION" AND "CONCESSIONARY PUR-LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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CHASES". THEY FELT SUCH DATA WAS JUSTIFIED ON THE GROUNDS

OF EQUAL TREATMENT AND, MOREOVER, USEFUL TO THEIR NEEDS. CHAIRMAN HOPPER COMMENTED THAT CANADA HAD NO INTEREST IN SUCH DATA. US OPPOSED THIS FURTHER BREAKDOWN, NOTING THAT 10TH AND 90TH PERCENTILES ARE ALREADY BEING REPORTED FOR OVERALL CRUDE COST AVERAGES. US FELT THIS ADDITIONAL DATA REQUIREMENT WOULD BE UNDULY COMPLICATED AND COULD POTENTIALLY COMPROMISE THE CONFIDENTIALITY OF COMPANY DATA. FURTHERMORE, WE NOTED US HAD ALREADY AGREED AGAINST ITS BEST JUDGMENT TO PROVIDE FURTHER INFORMATION FOR CRUDE COST REPORTING SYSTEM, AND ASSUMED THIS HAD CLOSED THE ISSUE. WE WERE WILLING TO REVIEW THE MATTER ONCE THE CRUDE COST SYSTEM WAS IN OPERATION, BUT COULD NOT AGREE TO THE MODIFICATION AT THIS POINT. HOPPER SUGGESTED THE GERMANS SHOW SOME FLEXIBILITY AND, IN THE INTEREST OF GETTING THE REPORTING SYSTEM INTO OPERATION, ACCEPT THE US OFFER OF SUBSEQUENT REVIEW. FRG SAW NO JUSTIFICATION FOR POSTPONEMENT OF THE MATTER AND STATED IT INTENDED TO RAISE THE ISSUE AT THE GOVERNING BOARD

MEETING.

5. UK PROPOSAL TO MODIFY CRUDE COST REPORTING FORMS: BRITISH SUBMITTED FOR CONSIDERATION A SUGGESTED REARRANGEMENT OF COLUMNS ON THE CRUDE COST REPORTING FORMS WHICH WOULD RENDER THE DATA CLEARER AND MORE CONSISTENT WITHOUT CHANGING THE SUBSTANCE. CHAIRMAN HOPPER OBSERVED THAT ALTHOUGH THE UK PROPOSAL APPEARS LOGICAL, BOTH THE FORMAT AND SUBSTANCE OF THE REPORTING FORMS HAVE ALREADY BEEN AGREED UPON. HE SUGGESTED THAT CRUDE COST REPORTING BEGIN AS SCHEEULED ON THE PRESENT FORMS AND THAT THE SOM CONSIDER THE ADVISABILITY OF MODIFYING THE FORMAT IN 1976. IN MEANTIME, UK COULD DISCUSS ITS IDEAS WITH IEA SECRETARIAT AND OTHER INTERESTED COUNTRIES.

6. SECRETARIAT ANALYSIS OF CRUDE AND PRODUCT PRICE DATA (IEA/SOM(75)38): BRYANT OF SECRETARIAT INVITED COMMENTS UPON THE DEGREE OF ANALYSIS HIS STAFF SHOULD UNDERTAKE UPON ABOVE DATA. DISCUSSION TURNED QUICKLY TO THE PROBLEM OF DATA SUBMISSION FOR LESS THAN 3 COMPANIES AND US WAS ASKED WHERE IT STOOD. WE RESPONDED OUR LEGAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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AUTHORITIES HAVE DETERMINED THAT GIVEN AN ADEQUATE SECURITY SYSTEM, WE CAN REPORT 2 COMPANY DATA, BUT WE ARE LEGALLY BOUND NOT TO REPORT A SINGLE COMPANY. AS SINGLE COMPANY DATA ACCOUNTS FOR NO MORE THAN 1/2 PERCENT OF OVERALL US IMPORTS, THE DATA LOSS WOULD BE MINIMAL. UK AGREED TO LOWER ITS REPORTING THRESHOLD TO 2 COMPANIES, NOTING THAT 1 COMPANY OMISSIONS WOULD ACCOUNT FOR SOME 4 PERCENT OF IMPORTS. UK, NETHERLANDS, AND SEVERAL OTHERS REPEATED THAT IF US REFUSED TO REPORT SINGLE COMPANY DATA, THEY WOULD DO LIKEWISE, AND PRICE

REPORTING SYSTEM WOULD BE EFFECTIVELY GUTTED. US ASSURED HOPPER IT WOULD DO ITS BEST TO REPORT PROMPTLY AND ACCURATELY, WITH REVISED DATA HOPEFULLY READY BY MID-JANUARY. WE REITERATED OUR READINESS TO SEEK A VOLUNTARY WAIVER FOR SINGLE COMPANY DATA ONCE A FORMAL REPORT ON IEA SECURITY SYSTEM HAS BEEN RECEIVED. SUBSEQUENT DISCUSSION REGARDING EXTENT OF SECRETARIAT DATA ANALYSIS DESIRED WAS INCONCLUSIVE. CANADA AND UK SAW NO NEED FOR EXTENSIVE ANALYSIS, WHEREAS FRG, BELGIUM, ITALY, JAPAN AND DENMARK THOUGHT IT USEFUL. DANES FORESAW A NEED IN CONNECTION WITH EXPECTED PRODUCER-CONSUMER DIALOGUE IN THE ENERGY COMMISSION. CHAIRMAN HOPPER CONCLUDED THAT SECRETARIAT SHOULD PREPARE A FIRST REPORT ALONG THE LINES PROPOSED IN IEA/SOM(75)38 ONCE ADDITIONAL US AND UK COMPANY DATA IS IN. AT THAT POINT SOM COULD CONSIDER FURTHER WHETHER ADDITIONAL ANALYSIS DESIRABLE. IN MEANTIME, COUNTRY COMMENTS ON SECRETARIAT REPORT WERE REQUESTED.

7. PRICE REPORTING IN AN EMERGENCY (IEA/SON(75)32):

CHAIRMAN HOPPER OPENED BY QUESTIONING WHETHER THERE WAS NEED FOR A SPECIAL SYSTEM TO MONITOR PRICES IN AN EMERGENCY BEYOND THE IWP PROPOSAL TO ACCELERATE REPORTING FREQUENCY FROM QUARTERLY TO MONTHLY BASIS. SEQ CHAIRMAN VAN RIJN HAD EXPRESSED TO HOPPER HIS DESIRE TO GO BEYOND THE IWP PROPOSAL, COMPELLING COMPANIES TO NOTIFY THE SECRETARIAT AND JUSTIFY ANY SIGNIFICANT PRICE INCREASES. HOPPER PERSONALLY DOUBTED THE WILLINGNESS OF ALL COUNTRIES TO REPORT TO THE SECRETARIAT ON INDIVIDUAL TRANSACTIONS. US COMMENTED THAT SUFFICIENT DATA TO MONITOR IN AN EMERGENCY SHOULD ALREADY BE AVAILABLE IN LIMITED OFFICIAL USE  
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THE FORH OF NATIONAL REPORTING SYSTEMS AND ACCELERATED

MONTHLY SOM REPORTING. JAPAN FELT IT WAS UP TO SEQ TO AGREE ON RULES FOR PRICING IN AN EMERGENCY. IRISH SOUGHT CONFIRMATION THAT THE SUBSTANCE OF THE AGGREGATION/ DISAGGREGATION COMPROMISE - I.E., POSSIBILITY OF REVIEW BY THE SECRETARIAT OF INDIVIDUAL COMPANY DATA - APPLIED TO EMERGENCY SITUATIONS. SECRETARIAT RESPONDED THAT SINCE THE COMPROMISE APPLIED TO BOTH COST AND PRICE REPORTING, IT FOLLOWED THAT IT WOULD HOLD FOR THE ACCELERATED MONTHLY REPORTING. HOPPER AGREED TO CLARIFY THIS QUESTION IN THE IWP DOCUMENT. REGARDING VAN RIJN, HOPPER AGREED TO ASK THE SEQ CHAIRMAN FOR AN SEQ POSITION ON THE IWP DOCUMENT.

8. CHAIRMAN REPORT TO GB ON CRUDE COST REPORTING SYSTEM:

HOPPER STATED HE PLANNED TO GIVE THE NOVEMBER 19-20 GB MEETING A VERBAL PROGRESS REPORT ON THE ABOVE SUBJECT, NOTING THAT SEVERAL ELEMENTS REMAIN TO BE RESOLVED INCLUDING THE DESIGN OF A BLACK BOX SYSTEM TO ENSURE

CONFIDENTIALITY OF COMPANY DATA. ITALIANS FELT THAT GB DECISION SHOULD IN ANY EVENT AWAIT THE FINALIZATION OF THE OVERALL SYSTEM AND HOPPER AGREED.

9. SOM WG ON CAPITAL INVESTMENT AND FINANCIAL STRUCTURE, CHAIRED BY SWEDEN, HELD ITS FIRST MEETING NOVEMBER 17 WITH PARTICIPATION OF UK, NETHERLANDS, FRG, ITALY, US AND SECRETARIAT. WIDE RANGING DISCUSSION CENTERED UPON THE ELEMENTS DEEMED ESSENTIAL TO A MEANINGFUL FINANCIAL INFORMATION SYSTEM.

US BRIEFED GROUP ON THE COMPREHENSIVE FEA FINANCIAL REPORTING SYSTEM NOW BEING SET UP. UK, QUESTIONING THE NEED FOR A CUMBERSOME DATA AND CONSULTATION SYSTEM AS PROPOSED IN SWEDISH PAPER (IA/SOM(75)37), COMMENTED IT WOULD PREFER A SIMPLER ARRANGEMENT WITH POSSIBLY AD HOC COMPANY CONSULTATIONS. ALSO SUGGESTED

THAT IEA CONSIDER DRAWING UPON THE LARGE VOLUME OF  
ALREADY PUBLICLY AVAILABLE INVESTMENT INFORMATION.  
ITALY AND NETHERLANDS GENERALLY SUPPORTED SWEDISH  
PAPER, EMPHASIZING THE IMPORTANCE OF KNOWING ABOUT  
FUTURE TRENDS AND PROJECTIONS AS OPPOSED TO HISTORICAL  
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DATA. GROUP AGREED UPON NEED TO CONSULT WITH IWP TO  
OBTAIN ITS VIEWS ON DATA WHICH WOULD BE HELPFUL TO AN  
UNDERSTANDING OF INVESTMENT CAPABILITIES AND REQUIREMENTS.  
GROUP DREW UP THE FRAMEWORK OF A GENERAL DISCUSSION PAPER  
TO BE TRANSMITTED TO IWP, TOGETHER WITH ORIGINAL SWEDISH  
PAPER AND INDIVIDUAL COUNTRY COMMENTS THEREUPON. IWP  
WOULD BE ASKED TO RESPOND IN WRITING PRIOR TO AN INITIAL  
MEETING WITH THE SOM WORKING GROUP, TENTATIVELY SCHEDULED  
FOR JANUARY 12.

10. NEXT MEETING TF SOM SET FOR JANUARY 13-14 1976,  
WITH CONSULTATIONS SCHEDULED WITH SHELL AND PETROFINA. KISSINGER

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## Message Attributes

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